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STATISTICAL BULLETIN

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Highlights

- CONSUMER DEMAND GROWTH MAY BE SLOWING WITH NO RECOVERY IN HOME & CAR SALES
- STRONG CONSUMER OPTIMISM CONTINUES
- LABOR REPORTS ARE STILL FAVORABLE
- INDUSTRIAL OUTPUT GROWTH REMAINS STRONG AS INVESTMENT RISES AND EXPORTS GROW
- MODEST UPTICK IN INFLATION IS LIKELY, AS PRODUCTION GAINS CRAMP CAPACITY; HOT, DRY WEATHER LIMITS CROPS; AND LABOR COSTS INCH UP
- OUTLOOK • MODERATE GNP GROWTH IN THE FOURTH QUARTER OF 1988, AFTER A TORRID THIRD-QUARTER PERFORMANCE

Volume 21, No. 8, August, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Somewhat unexpectedly, it now appears that the U.S. economy's strong first-half performance may be duplicated in the second half of this year. Export growth remains vigorous, and business investment may even strengthen. Despite some weakening in consumer demand, real GNP is expected to rise by a more than respectable 3.9% seasonally adjusted annual rate in the third quarter, followed by a 3% rise in the fourth quarter. That pace would fairly match the 3.4% and 3.1% growth rates in the first and second quarters, respectively.

Prospects for slower growth later this year have been enhanced by heightened inflationary fears and the higher interest rates they have provoked. There is evidence that labor costs and the prices of food and of some imports have begun to rise. Such evidence and a concern that these increases may both accelerate and spread have led to three prime interest rate hikes and a rise in the discount rate—the rate banks pay to borrow from the Federal Reserve. Higher domestic interest rates were preceded by similar moves in a few of the U.S.'s major trading partners. Thus, the rate differentials haven't changed. Higher borrowing rates carry the risk of slowing growth, especially in an environment in which growth was generally expected to cool.

DOMESTIC MARKET MONITOR

Although the unemployment rate returned to 5.4%, up from 5.3% in June, July's labor market report was quite bullish. Job growth remains strong in both the goods and services sectors. There are some qualifying factors, however. Most of the new jobs are relatively low paying and were filled by adult black women and teenagers. Moreover, the ratio of working adults to all adults was no higher in July than in February.

One very good sign, in addition to more people working, is that the average workweek lengthened in July, thus raising the total number of hours worked. Total hours were 1.1% higher in July than three months earlier—indicating that economic growth remains strong. In contrast, the **Help-wanted Index**, a measure of labor demand, has remained quite flat throughout 1988, which may signal slower job growth in the coming months. Indeed, the consensus of the **Economic Forecasts** is that the unemployment rate is unlikely to fall in the second half of the year.

INCOME: More jobs, more hours worked, and some increases in hourly pay rates, have led to continued strong income gains. Wages in commodity-producing industries were 1.3% higher in May than three months earlier, while wages in the "other industry" category grew by a full 2.5 percent. The fact that job gains in recent months have been in the relatively low-paying fields suggests that wage income growth may slow a bit. That could allay fears that a continued very strong consumer demand might lead to an overheated economy.

Nonwage income growth, in contrast, continues to weaken. Overall, nonwage income was only 0.5% higher in June than three months earlier. Rental income continues to fall and shopkeepers' income has begun to decline. Paradoxically, the one strong area is the rise in interest income—as inflation fears push borrowing and saving rates higher.

After a year of very sluggish growth, consumer credit demand remains subdued but regained some strength in the first half of 1988. The data for June show a rise in the financing of car purchases, while revolving credit use has remained flat. In June, the ratio of **Consumer Installment Debt Expansion to Personal Income** was below levels set in 1986.

Continued good news from the labor market has helped to sustain consumer attitudes. The Conference Board's **Consumer Confidence Index** stood at 113 (1967 = 100) in July. While that is marginally lower than May's 120.2 reading, it remains quite high by historical standards. The fall in the **Expectations** component of this series was more pronounced: It slipped from 114.4 in May to 103.5 in July. Still, that reading is high enough to suggest consumers anticipate continued job openings and pay increases over the next six months.

SPENDING: Despite strong income gains and upbeat attitudes, the rise in consumer spending hasn't been very strong. Total retail sales, except autos, were 1.7% higher in July than three months earlier. But durable-goods' sales, except autos, were up by only 0.3 percent.

After two months of modest improvement, new domestic **Automobile Sales** turned lackluster once again in July. Sales for this model year have been running below the year-ago pace. The same is generally true with respect to foreign models. And with interest rates moving higher, sales are unlikely to improve in the last months of the model year. Nor do prospects appear rosy for the next model year.

CONSTRUCTION: New home sales rose sharply in June. However, continued price hikes, as well as a new round of mortgage rate increases, make it unlikely that June will prove more than an aberration in trend for the remainder of the second half. In fact, home and car sales, already the two weakest segments of consumer demand, will be among those hardest hit by rising interest rates. Homebuilders were not anticipating a recovery in sales even before this latest damper. Single-unit housing starts were 6.3% lower in June than three months earlier. Building of rental units has been even weaker.

Ken Goldstein, Editor

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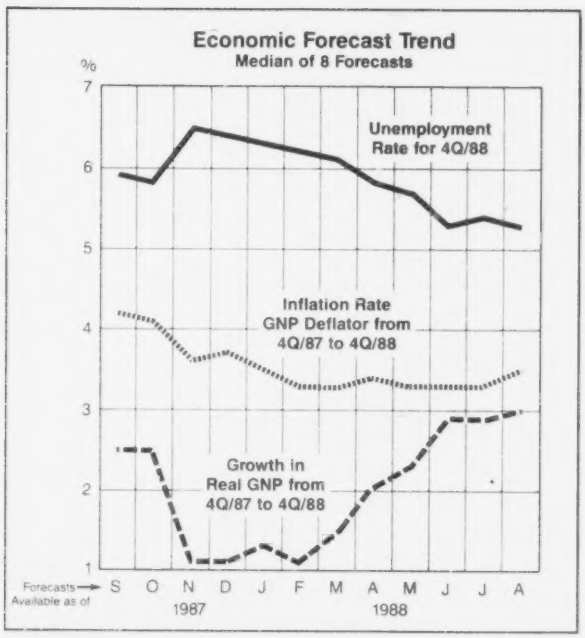


Despite the slump in homebuilding, construction employment is rising because nonresidential building continues to recover. Industrial building was 14.8% higher in June than three months earlier. The rise in office, commercial, and public building has been less pronounced.

PRODUCTION: Output is surging in response to rising consumer, business, and foreign demand. Total industrial output was 1.4% higher in June than three months earlier, despite continued weakness in defense- and space-related material. Gains in employment and hours worked in July suggest no change in the sharply rising demand for output.

Production will continue to rise briskly as new orders pile up. Total new orders for durable goods, except defense related, were 5.9% higher in June than three months earlier. Production increases to fill those orders may strain already high capacity-utilization rates, which may further flame inflationary fears.

INVENTORY: Industrial sales are rising faster than inventory. Total inventory, except cars at the retail level, was 1.5% higher in May than three months earlier, but sales were 3% higher. Thus, the Inventory-to-Sales ratio, fell by 1.5 percent. Given that strong selling pace, producers may step up production to replenish stocks. The fact that the ratio of new orders to shipments hasn't changed in recent months shows that production is going right out to buyers.

INFLATION: There are fears that strong production growth will result in enough new hiring to bid up the price of labor. However, average hourly pay in private industry is now rising at about a 5% annualized rate. The consensus of the **Economic Forecasts** is a rather modest uptick in inflation. The CPI is expected to rise by about 5% in the second half of 1988 and by not more than 5½% in 1989. That consensus view implies that hourly compensation may not rise by much more than 5½% in 1989.

The impact of the hot, dry weather on the nation's harvests is another major factor in the inflation outlook. Corn prices in July were 50% higher than three months earlier. Those increases are now passing through to the wholesale level. Prices for raw food at the wholesale level rose 11.7% in July, following an 8.7% rise in June. And those higher food prices will soon begin to show up at the retail level. Yet wholesale prices of raw material except food and energy fell by 6.7% in July. The raw commodity price index for industrial material declined in July. These data suggest the uptick in inflation will prove rather limited.

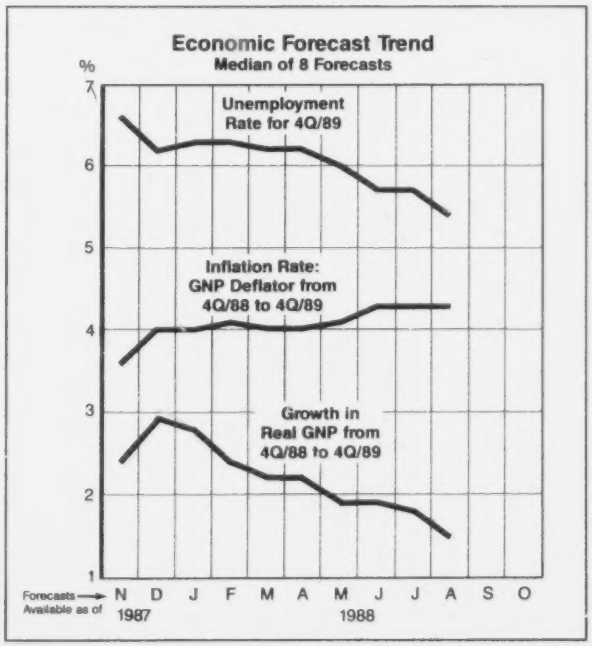
INTERNATIONAL MONITOR

Although consumer buying is rising modestly, and business investment at a somewhat faster clip, imports of manufactured goods were only 2.1% higher in May than three months earlier. Indeed, manufactured imports have risen by only 4% over the last 11 months. It remains to be seen whether the 8% rise in imports in June was more of an aberration in trend than a change.

In contrast, the lower dollar and moderate economic growth in a few of the U.S.'s major trading partners have helped to spur U.S. exports of manufactured goods by 15% over the last three months ending in May. Following that spurt, exports of manufactured goods, except aircraft and parts, were flat in June.

Not surprisingly, prices of imported goods have been rising. That's especially true for imports of semi-finished goods shipped to the United States for final assembly. Indeed, another cause for concern on the inflation front is that those higher costs will put upward pressure on the price of consumer goods and capital equipment. So, some of the good news on the trade front carries negative implications for the domestic economy.

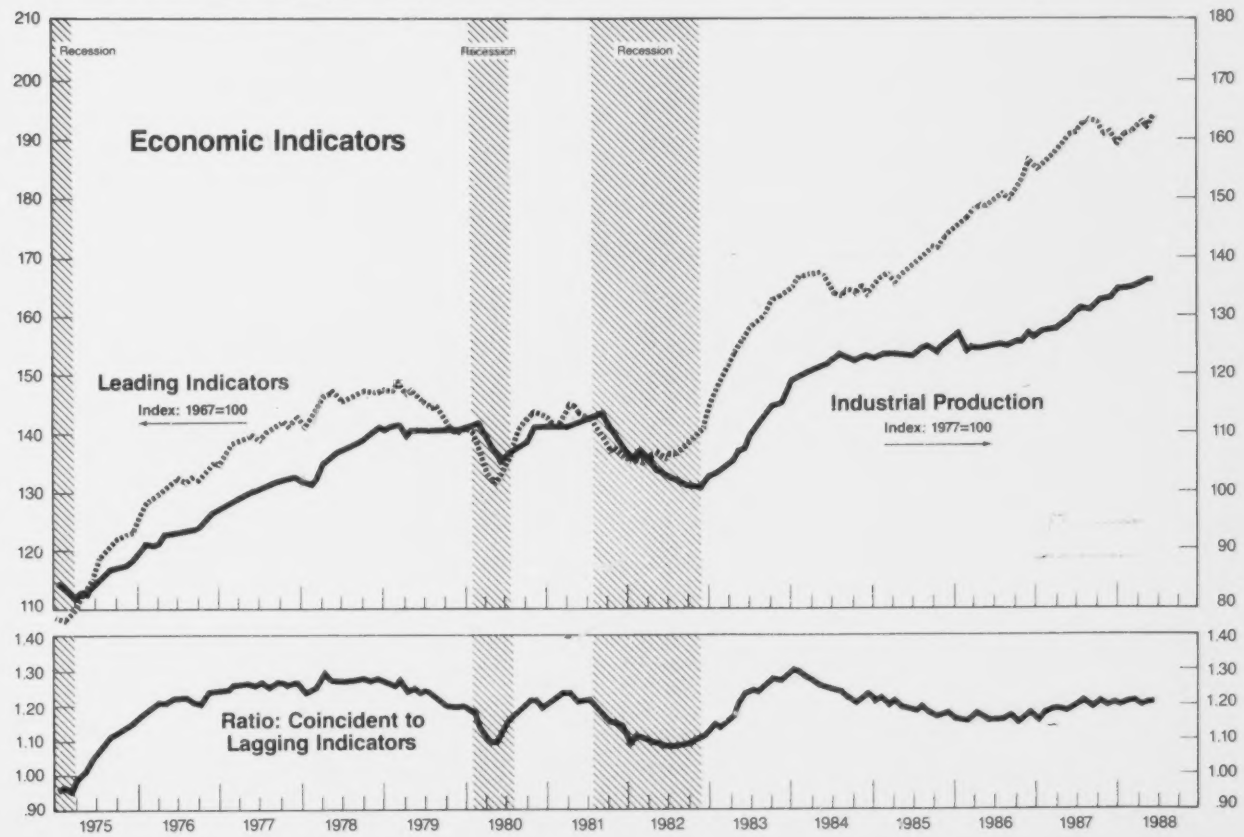
Ken Goldstein
August 11, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June	X			0.8%	1.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June	X			5.0%	10.6%
New orders, nondefense capital goods (deflated)	June	X			5.0%	15.3%
*New business formation	June		X		- 1.0%	2.8%
*Housing permits	June		X		1.2%	- 2.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		1.3%	2.2%
*Change in inventory, on hand & order (deflated)	May			X	-31.9%	-14.3%
Purchasing agents' buying policy	July			X	- 2.0%	0.0%
*Vendor performance, reported slower deliveries	June		X		1.0%	13.0%
Industrial raw materials prices	July	X			3.9%	8.7%
*Change in sensitive material prices	June	X			0.3%	- 1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June		X		0.5%	1.7%
Change in business loans	June			X	- 3.8%	13.5%
*Change in credit outstanding	May			X	- 4.6%	0.9%
Change in consumer installment debt	May			X	-31.4%	15.1%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q	X			2.3%	8.0%
*Common stock prices	July		X		2.2%	-13.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		- 0.1hr	0.1hr
*Initial unemployment claims (inverted)	June	X			3.9%	10.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



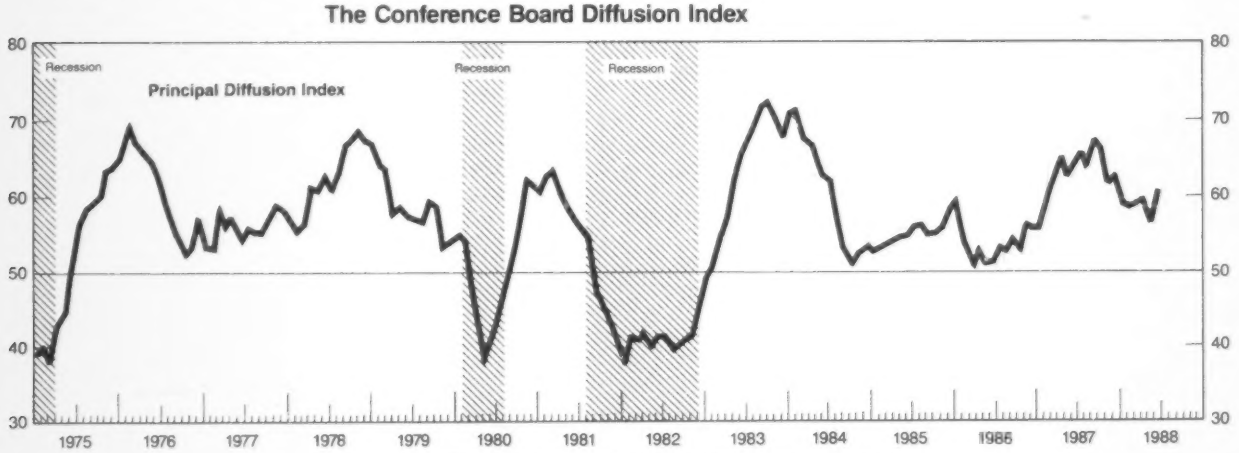
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Jun.	1988 Mar.	Apr.	May	Jun.(e)
Principal Diffusion Index	62.1r	58.3r	59.9r	56.1r	60.6
Auxillary Diffusion Index	53.9r	52.3r	55.2r	37.7r	64.5
Industrial Group	58.6r	59.7r	64.3r	56.2r	60.1
Nonindustrial Group	65.6	56.9r	55.5r	56.0r	61.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	70.1	62.4	67.5	62.0r	67.1
Labor	53.2	56.8	60.4	51.4r	56.9
Miscellaneous	54.8r	62.8r	69.2r	59.6	57.7
Nonindustrial Subgroups					
Prices	88.5	57.7	55.1	53.2	59.6
Consumer	71.4	70.1r	64.5r	59.8r	65.4
Building	42.3	48.1	48.7	49.4	57.1
Miscellaneous	60.3	49.1	51.3	58.5r	60.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985		*1986*				*1987*				*1988*	
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)											
Measure of Business Confidence	51	55	61	61	50	51	55	55	59	47	51	58
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	45	53	63	61	44	50	56	55	62	50	49	64
2. Expectations for Economy, Six Months Ahead	53	56	62	62	52	51	54	53	56	43	50	54
3. Expectations for Own Industry, Six Months Ahead	54	56	59	60	54	53	56	56	58	48	54	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

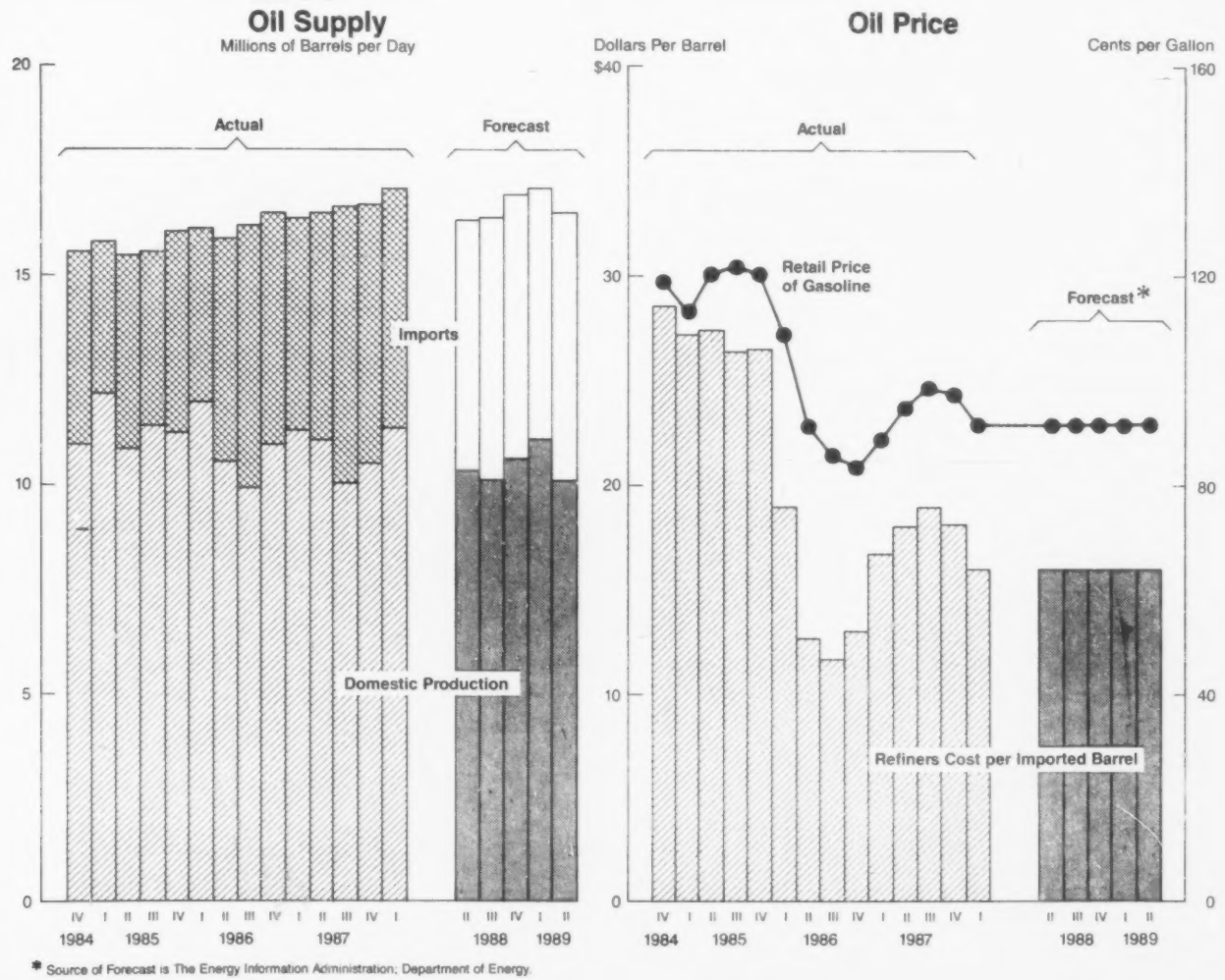
Billions of Dollars, Seasonally Adjusted

	1986		1987				1988	Percent Change From Previous Year Actual	Estimate
	III	IV	I	II	IIIr	IVr	Ip	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.203	22.097	21.441	32.257	29.561	35.909	32.034	31%	11%
Capital expenditures	22.452	23.299	20.801	25.933	27.381	29.820	30.279	11	21
Change in appropriations backlog*	-5.060	-10.990	-0.550	+5.460	-0.080	+3.510	+0.870		
Durable Goods									
New appropriations	10.807	10.807	9.746	16.515	17.208	20.245	15.124	55	3
Capital expenditures	12.186	12.915	11.124	14.006	13.970	16.037	16.496	17	22
Change in appropriations backlog*	-3.986	-4.140	-2.070	+2.310	+2.930	+3.810	-1.720		
Nondurable Goods									
New appropriations	10.152	11.290	11.695	15.742	12.353	15.664	16.910	24	18
Capital expenditures	10.266	10.384	9.677	11.927	13.411	13.783	13.783	6	21
Change in appropriations backlog*	-1.074	-6.853	+1.520	+3.160	-3.010	-0.300	+2.590		
ELECTRIC & GAS UTILITIES									
New appropriations	5.530	5.491	6.482	5.569	5.135r	6.094p			
Capital expenditures	7.535	6.080	7.622r	7.032r	7.728r	6.524p			
Change in appropriations backlog*	-2.110	-1.005	-0.810r	-1.590r	-2.830r	-0.680p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

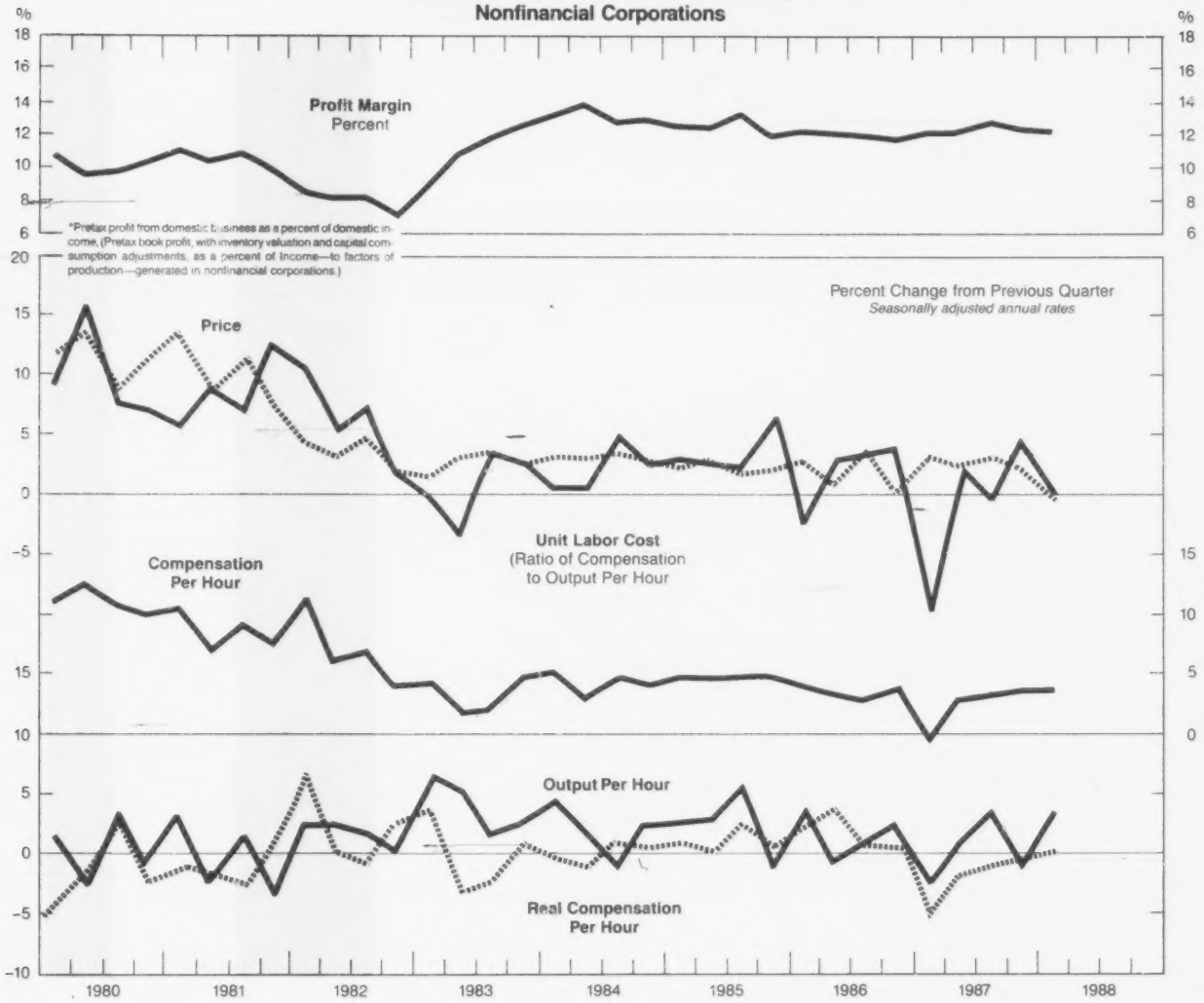
r—revised p—preliminary

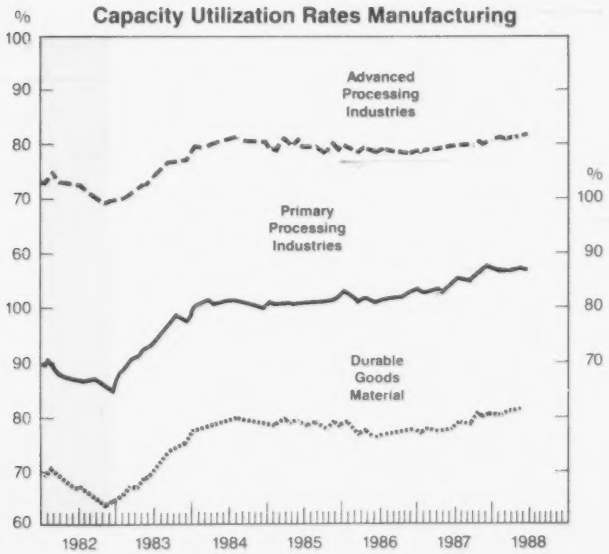
* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration; Department of Energy

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*July, 1988*		*July, 1988*		*July, 1988*		*July, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**II**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**
Forecast	1988	III	4891.4	7.2	4896.6	7.7	4888.5	7.0	4886.6	6.8
		IV	4979.0	7.4	4983.1	7.3	4969.3	6.8	4960.9	6.2
	1989	I	5083.1	8.6	5064.7	6.7	5039.8	5.8	5036.7	6.3
		II	5157.0	5.9	5140.2	6.1	5116.0	6.2	5106.1	5.6
		III	5214.6	4.5	5188.5	3.8	5193.7	6.2	5173.2	5.4
		IV	5270.8	4.4	5229.9	3.2	5278.7	6.7	5231.3	4.6
	1990	I	5333.8	4.9			5378.1	7.7		
		II	5384.7	3.9			5485.2	8.2		
		III	5438.8	4.1			5596.0	8.3		
	1988	Annual	4850.5	7.2	4852.8	7.2	4847.3	7.1	4844.7	7.0
	1989	Annual	5181.4	6.8	5155.8	6.2	5157.1	6.4	5136.8	6.0
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**II**	**$3986.3**	**3.1%**	**$3986.3**	**3.1**	**$3986.3**	**3.1%**	**$3986.3**	**3.1%**
Forecast	1988	III	4020.5	3.5	4017.8	3.2	4007.0	2.1	4012.0	2.6
		IV	4055.0	3.5	4045.4	2.8	4027.0	2.0	4026.7	1.5
	1989	I	4089.1	3.4	4066.6	2.1	4048.0	2.1	4042.3	1.6
		II	4104.0	1.5	4080.5	1.4	4070.0	2.2	4055.7	1.3
		III	4105.7	0.2	4077.3	–0.3	4096.0	2.6	4068.8	0.8
		IV	4105.1	–0.1	4072.5	–0.5	4124.0	2.8	4067.9	0.4
	1990	I	4102.1	–0.3			4153.0	2.8		
		II	4096.1	–0.6			4184.0	3.0		
		III	4095.7	0.0			4217.9	3.2		
	1988	Annual	4004.5	4.1	4001.4	4.0	3994.1	3.8	3995.3	3.9
	1989	Annual	4101.0	2.4	4074.2	1.8	4084.5	2.3	4057.4	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**II**	**120.6**	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**
Forecast		III	121.7	3.6	121.9	4.3	122.0	4.8	121.8	4.1
		IV	122.8	3.8	123.2	4.4	123.4	4.7	123.2	4.7
	1989	I	124.3	5.1	124.5	4.5	124.5	3.6	124.6	4.6
		II	125.7	4.4	126.0	4.7	125.7	3.9	125.9	4.2
		III	127.0	4.4	127.3	4.1	126.8	3.5	127.3	4.5
		IV	128.4	4.4	128.4	3.7	128.0	3.8	128.6	4.1
	1990	I	130.0	5.2			129.5	4.8		
		II	131.5	4.5			131.1	5.0		
		III	132.8	4.1			132.7	5.0		
	1988	Annual	121.1	2.9	121.3	3.1	121.4	3.1	121.3	3.1
	1989	Annual	126.3	4.3	126.5	4.4	126.3	4.0	126.6	4.4
Unemployment Rate										
Actual	**1988**	**II**		**5.5%**		**5.5%**		**5.5%**		**5.6%**
Forecast	1988	III		5.3		5.3		5.3		5.3
		IV		5.2		5.1		5.3		5.1
	1989	I		5.1		5.1		5.4		5.0
		II		5.1		5.2		5.4		5.0
		III		5.2		5.5		5.4		5.2
		IV		5.3		5.9		5.4		5.4
	1990	I		5.6				5.3		
		II		5.8				5.3		
		III		6.1				5.3		
	1988	Annual		5.4		5.4		5.5		5.4
	1989	Annual		5.2		5.4		5.4		5.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

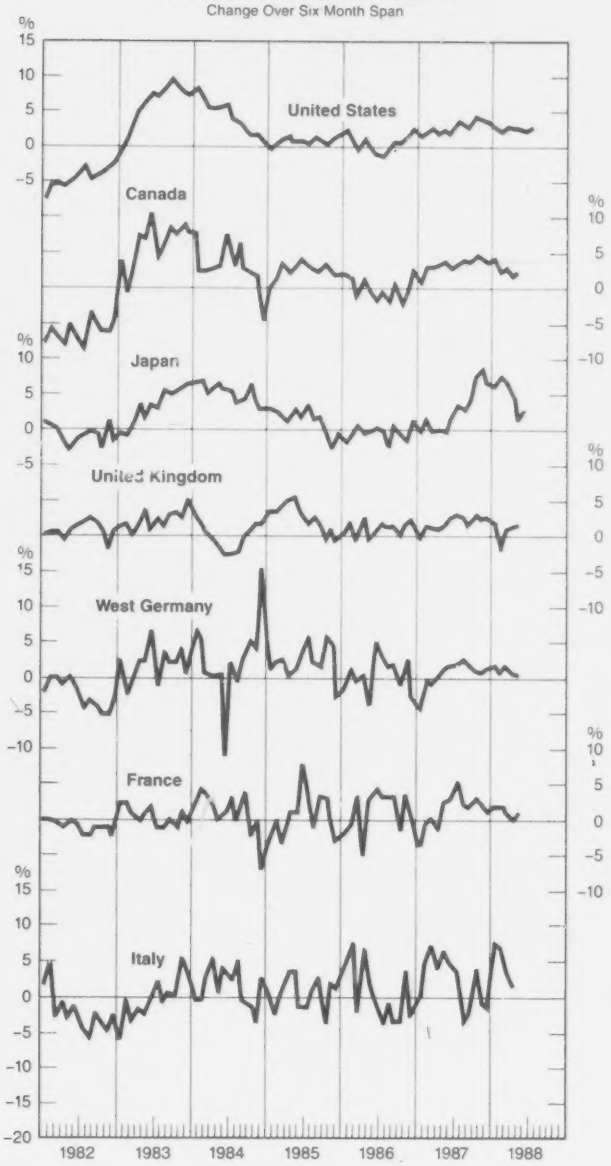
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1988		*July, 1988*		*July, 1988*		*July, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4806.9	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**II**	**1988**	**Actual**
4893.0	7.4	4895.3	7.6	4886.3	6.8	4887.8	6.9	III	1988	Forecast
4975.0	6.9	4977.2	6.9	4953.4	5.6	4959.9	6.0	IV		
5051.0	6.3	5058.2	6.7	5055.5	8.5	5046.5	7.2	I	1989	
5090.0	3.1	5136.8	6.4	5129.4	6.0	5116.3	5.6	II		
5121.0	2.5	5202.5	5.2	5197.6	5.4	5188.4	5.8	III		
5181.0	4.8	5269.9	5.3	5272.9	5.9	5258.5	5.5	IV		
		5358.3	6.9	5362.1	6.9	5331.4	5.7	I	1990	
		5439.1	6.2	5448.4	6.6	5431.4	7.7	II		
		5524.4	6.4	5545.2	7.3	5542.7	8.5	III		
4849.9	7.1	4851.0	7.2	4842.8	7.0	4844.8	7.0	Annual	1988	
5110.8	5.4	5166.9	6.5	5163.9	6.6	5152.4	6.4	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3986.3	3.1%	$3986.3	3.1%	$3986.3	3.1%	$3986.3	3.1%	II	1988	Actual
4020.5	3.5	4018.2	3.2	4016.9	3.1	4011.8	2.6	III	1988	Forecast
4044.7	2.4	4046.1	2.8	4038.4	2.2	4034.8	2.3	IV		
4060.3	1.6	4067.4	2.1	4075.0	3.7	4056.9	2.2	I	1989	
4046.1	−1.4	4089.4	2.2	4092.0	1.7	4070.7	1.4	II		
4029.1	−1.7	4102.5	1.3	4105.1	1.3	4088.3	1.7	III		
4035.0	0.6	4120.1	1.7	4122.3	1.7	4105.4	1.7	IV		
		4141.8	2.1	4141.1	1.8	4111.3	0.6	I	1990	
		4163.5	2.1	4162.2	2.1	4142.6	3.1	II		
		4188.3	2.4	4190.7	2.8	4181.2	3.8	III		
4001.9	4.0	4001.7	4.0	3999.4	4.0	3997.3	3.9	Annual	1988	
4042.6	1.0	4094.9	2.3	4098.6	2.5	4080.3	2.1	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
120.6	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**	**II**	**1988**	**Actual**
121.7	3.8	121.8	4.2	121.6	3.6	121.8	4.2	III	1988	Forecast
123.0	4.3	123.0	3.9	122.7	3.4	122.9	3.6	IV		
124.4	4.6	124.4	4.5	124.1	4.7	124.4	4.9	I	1989	
125.8	4.6	125.6	4.1	125.4	4.2	125.7	4.2	II		
127.1	4.2	126.8	3.9	126.6	4.1	126.9	3.9	III		
128.4	4.2	127.9	3.5	127.9	4.2	128.1	3.8	IV		
		129.4	4.7	129.5	5.0	129.7	5.1	I	1990	
		130.6	4.0	130.9	4.4	131.1	4.5	II		
		131.9	3.9	132.3	4.4	132.6	4.5	III		
121.2	3.0	121.2	3.0	121.1	2.9	121.2	3.0	Annual	1988	
126.4	4.3	126.2	4.1	126.0	4.1	126.3	4.2	Annual	1989	
								Unemployment Rate		
	5.4%		**5.5%**		**5.5%**		**5.5%**	**II**	**1988**	**Actual**
	5.4		5.3		5.3		5.4	III	1988	Forecast
	5.4		5.1		5.3		5.3	IV		
	5.5		5.1		5.2		5.5	I	1989	
	5.8		5.1		5.2		5.7	II		
	6.1		5.2		5.3		5.9	III		
	6.1		5.4		5.3		6.1	IV		
			5.4		5.4		6.4	I	1990	
			5.5		5.5		6.7	II		
			5.5		5.5		6.6	III		
	5.5		5.4		5.5		5.5	Annual	1988	
	5.9		5.2		5.2		5.8	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

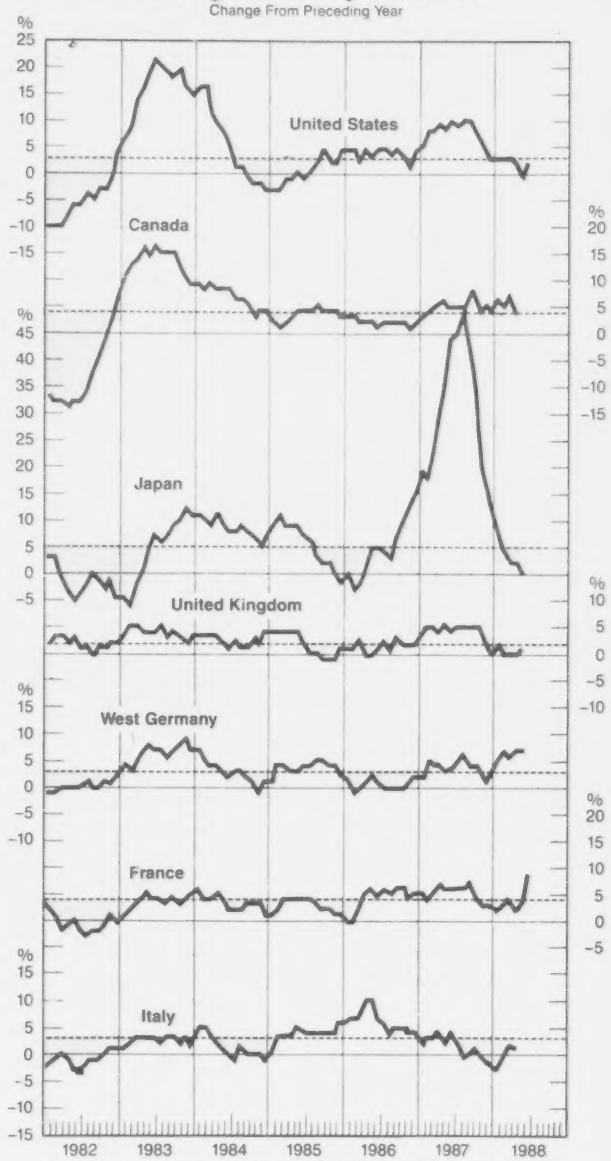
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

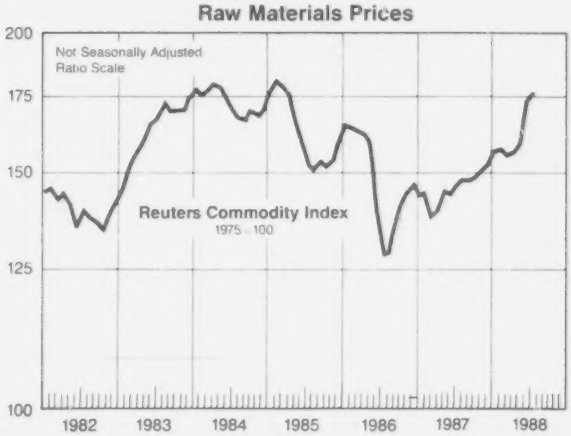
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

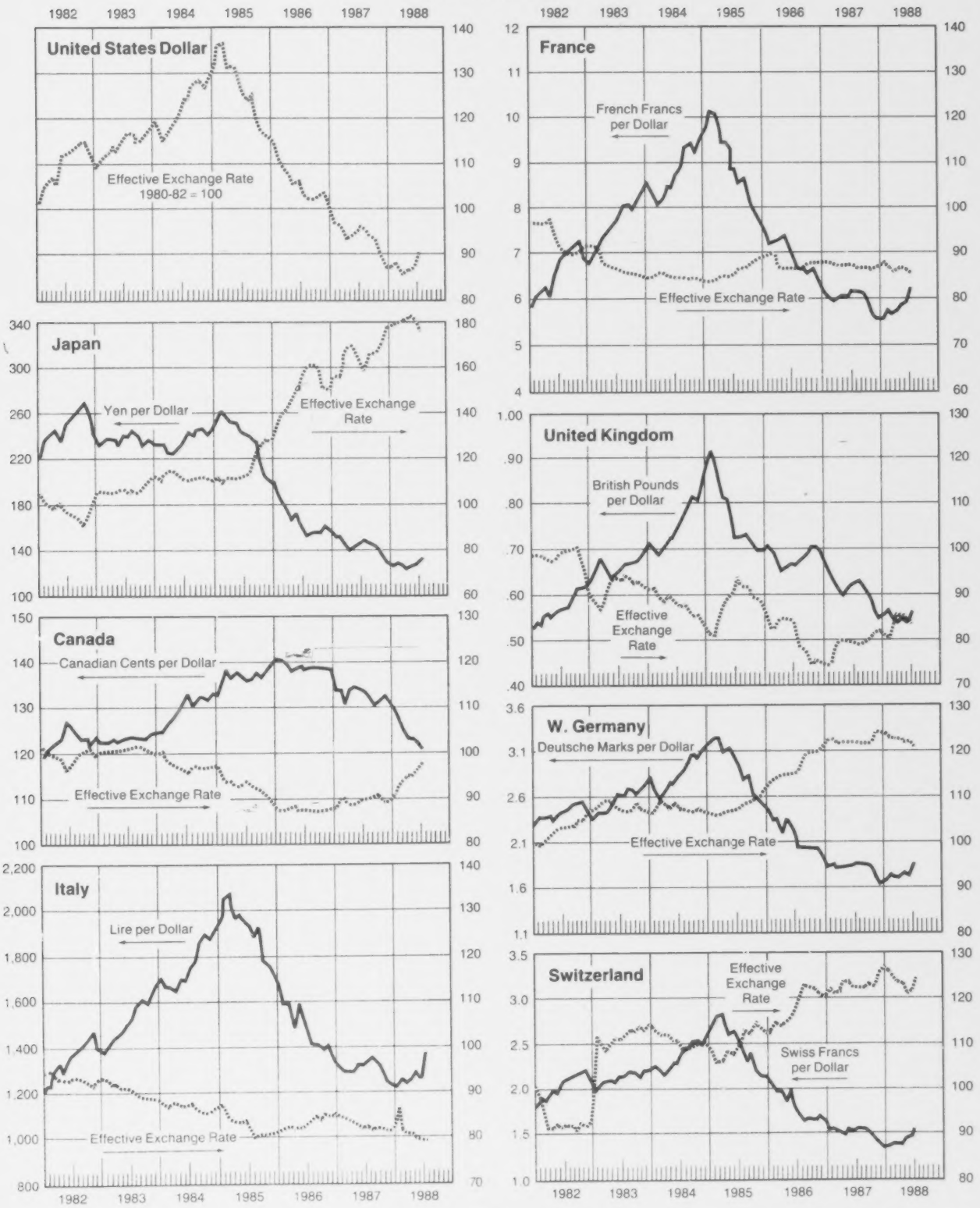
Merchandise Trade: Value of Exports

Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

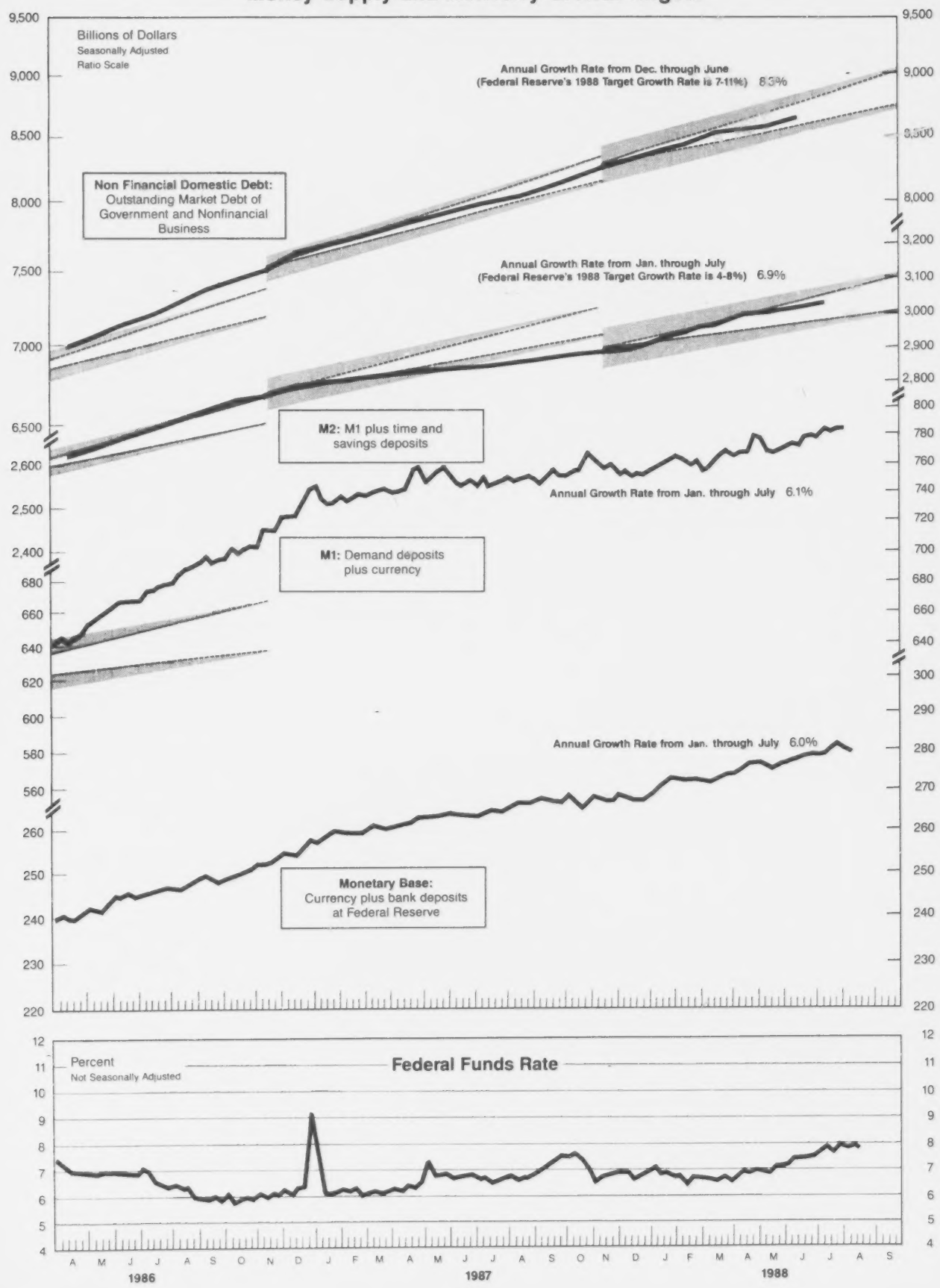
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Outlays	**1,004.6**	**1,055.9**	**1,094.6**	**1,094.5**	**1,099.7**
Deficit	**– 150.4**	**– 146.7**	**– 129.4**	**– 129.8**	**– 135.3**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Individual income	392.6	393.4	412.4	412.4	412.3
Social security	303.3	331.3	354.6	117.7	354.6
Corporate income	83.9	105.6	117.7	354.6	117.5
Other receipts	74.4	78.7	80.5	80.0	80.0
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,094.6**	**$1,094.5**	**$1,099.7**
Social security	282.5	298.6	319.1	317.8	320.4
National defense	282.0	285.4	294.5	294.0	294.0
Income security	123.2	129.6	137.5	135.6	138.1
Health	40.0	44.5	48.4	47.8	48.9
Education & manpower	29.7	33.7	34.5	37.4	35.4
Veterans benefits	26.8	27.7	28.0	29.6	28.4
Transportation	26.2	27.2	27.1	27.3	27.9
Agriculture	27.4	22.4	21.0	21.7	21.6
Natural resources	13.4	15.1	16.2	16.0	16.3
International affairs	11.6	9.9	16.2	13.3	16.2
General science	9.2	10.9	13.0	13.1	12.6
Justice	7.5	9.0	9.8	9.9	8.7
General government	7.6	8.8	9.7	9.5	9.4
Commerce, housing credit	6.2	12.4	7.2	7.9	9.3
Community development	5.1	6.3	6.0	5.9	6.6
Energy	4.1	2.7	3.4	3.1	4.4
Revenue sharing					
Interest	138.6	147.9	152.0	151.8	152.0
Allowances					
Offsetting receipts	– 36.5	– 36.2	– 49.2	– 47.2	– 50.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	5.9%	6.5%	5.8%	7.0%	6.8%
Constant (1982) dollar	2.9%	2.9%	2.3%	3.1%	2.6%
Implicit price deflator	3.3%	3.9%	3.4%	3.7%	4.1%
Consumer price index	4.6%	4.3%	4.5%	3.9%	4.9%
91-Day T bill rate	5.8%	5.3%	6.2%	5.2%	6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Dec. through June
(Federal Reserve's 1988 Target Growth Rate is 7-11%) 8.3%
Non Financial Domestic Debt:
Outstanding Market Debt of
Government and Nonfinancial
Business
Annual Growth Rate from Jan. through July
(Federal Reserve's 1988 Target Growth Rate is 4-8%) 6.9%
M2: M1 plus time and
savings deposits
Annual Growth Rate from Jan. through July 6.1%
M1: Demand deposits
plus currency
Annual Growth Rate from Jan. through July 6.0%
Monetary Base:
Currency plus bank deposits
at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
1986
1987
1988

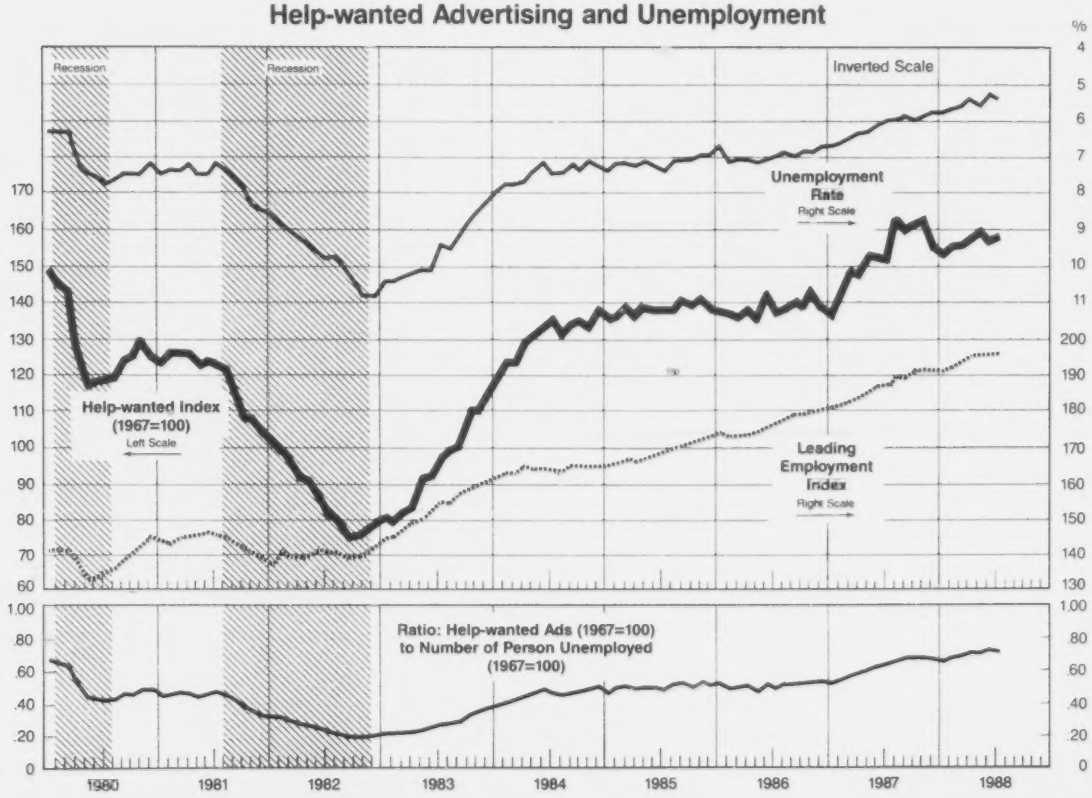
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 June	1988 May	1988 Apr.	1987 June
National Index	157	160	157	152
New England	152	166	161	186
Boston	141	161	151	182
Hartford	175	183	175	198
Providence	168	168	183	186
Middle Atlantic	88	93	87	88
Albany	197	216	223	228
Allentown	408	458	360	357
New York	60	62	60	66
Philadelphia	78	81	76	76
Pittsburgh	97	102	98	87
Rochester	107	107	104	91
Syracuse	N.A.	162	159	143
East North Central	110	111r	108	104r
Chicago	117	114	115	119
Cincinnati	161	173	173	144
Cleveland	76	80	72	68
Columbus	188	198	174	182
Dayton	90	97	95	76
Detroit	58	60	55	56
Gary	224	204r	190	174
Indianapolis	127	134	131	118
Milwaukee	99	99	106	86
Toledo	146	146	138	123
West North Central	108	103	102	92
Kansas City	N.A.	162	152	132
Minneapolis	93	76	88	85
Omaha	161	173	162	137
St. Louis	71	75	71	63
South Atlantic	211	220	217	205r
Atlanta	271	289	287	264
Baltimore	236	240	241	212
Charlotte	194	201	207	196
Jacksonville	233	238	240	249r
Miami	170	174	176	121
Richmond	151	160	123	161
Washington, D.C.	N.A.	199	197	207
East South Central	185	191	183	174r
Birmingham	187	203	196	151r
Knoxville	305	323	312	266
Louisville	102	103	110	94
Memphis	141	149	156	138
Nashville	261	256	215	280
West South Central	189	180	188	161
Dallas	171	162	161	154
Houston	275	253	287	224
New Orleans	124	128	128	108
Oklahoma City	125	129	118	108
San Antonio	150	144	137	139
Tulsa	144	150	137	126
Mountain	299	320	310	307
Denver	197	217	199	198
Phoenix	377	422	430	416
Salt Lake City	386	374	357	365
Pacific	248	251	248	242
Los Angeles	169	176	171	171
Sacramento	494	485	470	460
San Bernadino	286	N.A.	221	291
San Diego	597	602r	614	571
San Francisco	242	254	256	239
Seattle	254	255	249	223
Percentage of papers with rising volume	25	71r	61	39r
Unemployment rate	5.3	5.6	5.4	6.1

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7r	113.0p					

Expectations Index

1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6r	103.5p					

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

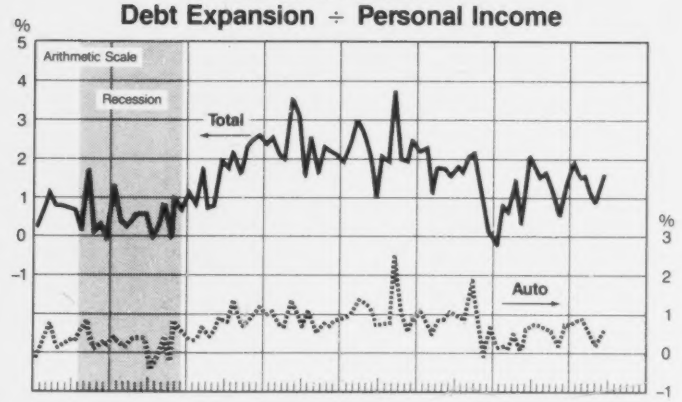
p—preliminary r-revised

Consumer Confidence and Expectations

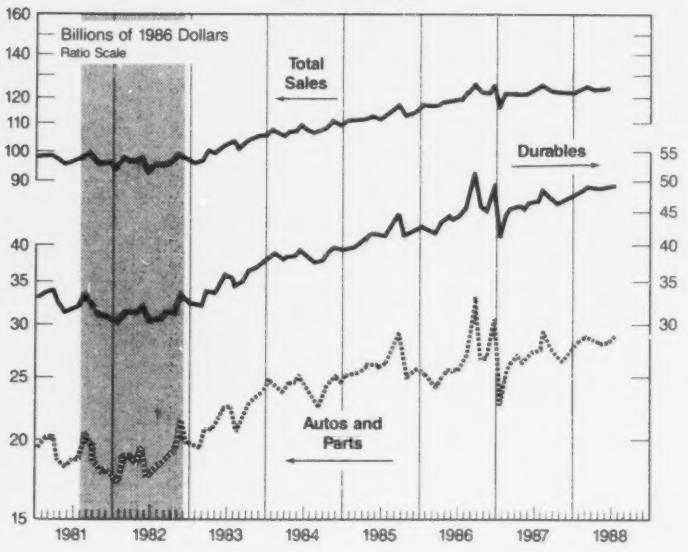
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available for downloading to your PC. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



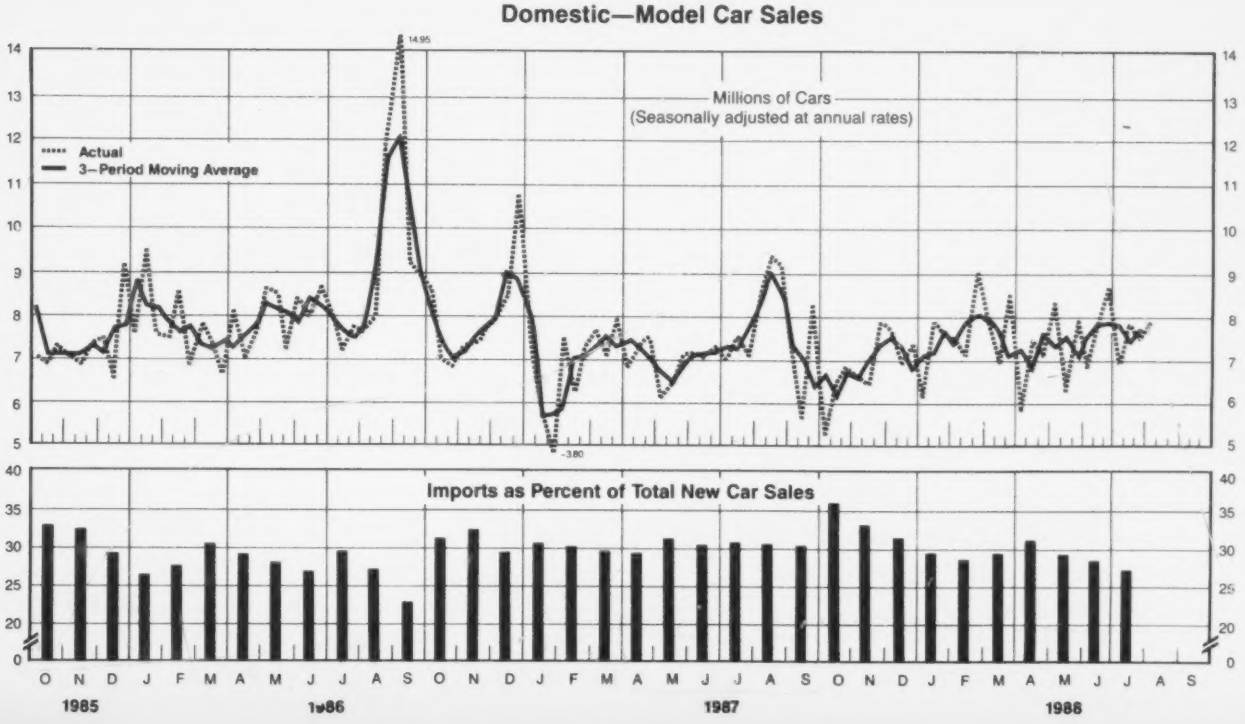
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	7.82
	21-31	7.38	7.77	7.11	7.46
August:	1-10	7.11	7.63	8.55	7.93
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.80	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


14.95
Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3–Period Moving Average
3.80
Imports as Percent of Total New Car Sales
O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
1985
1986
1987
1988